

Message Text

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64

ACTION EB-11

INFO OCT-01 EA-11 ISO-00 AGR-20 AID-20 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 L-03 STR-08 TAR-02

DRC-01 /122 W

----- 045745

R 010930Z APR 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 2360

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E.O. 11652: N/A

TAGS: ETRD, RP

SUBJECT: PHILIPPINE EXPORT TAXES COPRA/COCONUT OIL

REF: A. STATE 62372

B. MANILA 3486

C. MANILA 2554

1. EMBASSY HAS OBTAINED TWO VERSIONS OF DECREE TO AMELIORATE EXPORT TAX ON COPRA REFERRED TO REF B.

2. VIRATA AND DRILON DECREES EACH SHIFT TAX PAYMENTS FROM EXPORTERS TO COPRA STABILIZATION FUND, WHICH SUBSIDIZES DOMESTIC OIL SALES BY COLLECTING, CURRENTLY, P550 PER TON ON ALL COPRA SALES. VIRATA DECREE WOULD REIMBURSE EXPORTERS OUT OF STABILIZATION FUND, RETROACTIVE TO FEBRUARY 16, WHILE DRILON DECREE WOULD SUBSTITUTE DIRECT TAX PAYMENTS BY FUND FOR EXPORTER PAYMENTS. HOWEVER, DECREES DIFFER SUBSTANTIALLY IN APPROACH, AND BOTH LEAVE TO STABILIZATION FUND KEY DECISIONS ON MAGNITUDE COPRA/COCONUT OIL DIFFERENTIAL AND EXTENT TO WHICH EXPORTERS WILL BE REIMBURSED.

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3. TARIFF COMMISSION HELD HEARINGS LAST WEEK AND WILL

IN DUE COURSE SUBMIT REPORT TO NEDA FOR ITS CONSIDERATION. IN MEANTIME, SHORTCOMINGS WHICH INDUSTRY PERCEIVES IN TWO INITIAL PRESIDENTIAL DECREES HAVE STIMULATED PREPARATION OF ANOTHER DRAFT DECREE BY INDUSTRY GROUP. GOVERNMENT IN PROCESS OF RECONCILING VARIOUS VERSIONS IN EFFORT TO ARRIVE AT SINGLE SATISFACTORY DECREE.

4. EMBASSY SERIOUSLY DOUBTS THAT PHILIPPINE GOVERNMENT HAS CONSPIRED TO DRIVE UP WORLD PRICE OF COPRA AS SUGGESTED REFTEL A. DIVERGENT INTERESTS WITHIN PHILIPPINE GOVERNMENT AND COCONUT INDUSTRY, AS ILLUSTRATED BY COORDINATION PROBLEMS DESCRIBED ABOVE, ARE SUFFICIENT IN THEMSELVES TO ARGUE AGAINST POSSIBILITY OF GOVERNMENT HAVING REACHED AND IMPLEMENTED SUCH A MAJOR POLICY DECISION WITHOUT THIS BECOMING KNOWN WITHIN INDUSTRY.

5. ABOVE NORMAL STOCKS OF COPRA REPORTED BY ASIAN COCONUT COMMUNITY AT BEGINNING 1974 DO NOT INDICATE A LOOSE SUPPLY SITUATION (REPORTED STOCKS EQUAL ONE MONTH'S PRODUCTION OF COPRA). PRODUCTION, BECAUSE OF DROUGHT, IS BELOW NORMAL AND EXPECTED TO CONTINUE BELOW NORMAL FOR SEVERAL MORE MONTHS. (SEE AG REPORT PH 4002).

6. IF EXPORT TAX WERE INTENDED TO DRIVE UP WORLD COCONUT PRICES, CONCURRENT EFFORTS TO COMPLETELY HALT ALL SHIPMENTS ILLOGICAL. IF BAN WERE ITSELF THE INTENDED DEVICE, THEN ONE WOULD HAVE TO HYPOTHEZIZE EITHER LARGER-THAN-NORMAL SHIPMENTS, WITHOUT BENEFIT OF SALES AGREEMENTS, BEFORE BAN, OR LARGE-SCALE EVASION AFTER BAN. SINCE TWO COPRA TRADERS CONTROL 90 PERCENT OF COPRA EXPORTS, WITH CARGILL SUBSIDIARY GRANEXPORT BEING ONE OF THESE, SEEMS IMPLAUSIBLE TO IMAGINE SUCH MANIPULATIONS COULD BE DONE IN SEVRET. GRANEXPORT'S FIGURES ON ITS OWN SHIPMENTS SHOW ZERO IN JANUARY, 14,000 METRIC TONS IN FEBRUARY, PROBABLE 7,000 IN MARCH, AND EXPECTED ZERO THEREAFTER. ITS SHIPMENTS LAST FOUR MONTHS OF 1973 RANGED FROM 17,000 TO 36,000 METRIC TONS.

7. ONE NEED LOOK NO FURTHER THAN DOMESTIC MARKET LIMITED OFFICIAL USE

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TO FIND SUFFICIENT EXPLANATION FOR PHILIPPINE EXPORT LIMITATION. PHILIPPINES IS ATTEMPTING THROUGH SUBSIDIES TO MAINTAIN DOMESTIC PRICE OF COCONUT OIL AT A CONSTANT LEVEL FAR BELOW WORLD MARKET PRICES. TO DO SO BECOMES EVER MORE DIFFICULT AS WORLD COPRA PRICES AND DOMESTIC PRICE LEVEL RISE, PARTICULARLY SINCE TOTAL COCONUT PRODUCTION IS DOWN. DOMESTIC POLICY CONSIDERATIONS PREVAIL OVER EXPORT DECISIONS,

AND PHILIPPINES' PRIMARY CONCERN HAS BEEN TO INCREASE
DOMESTIC SUPPLY SUFFICIENTLY TO MAINTAIN CONSTANT
DOMESTIC PRICE.
SULLIVAN

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Message Attributes

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Draft Date: 01 APR 1974
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Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
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